

Message Text

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PAGE 01 ABU DH 00706 081200Z
ACTION NEA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03
NSAE-00 NSC-05 PA-02 PRS-01 SP-02 SS-15 USIA-15
AID-05 COME-00 EB-08 FRB-01 TRSE-00 XMB-04 OPIC-06
LAB-04 SIL-01 OMB-01 /097 W
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R 081032Z MAR 77
FM AMEMBASSY ABU DHABI
TO SECSTATE WASHDC 5742
INFO USDOC WASHDC
AMCONSUL DHAHRAN
US DEPART OF TREASURY
AMEMBASSY DOHA
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY MANAMA
AMEMBASSY MUSCAT
AMCONSUL SHIRAZ
AMEMBASSY TEHRAN

UNCLAS ABU DHABI 0706

DEPT PASS DEPT OF LABOR

E.O. 11652: NA
TAGS: ETRD, EFIN, ELAB, BEXP, TC
SUBJ: IMPACT OF NEW TAX LAW ON AMERICAN ABROAD

REF: 76 ABU DHABI 3277

1. SUMMARY: U.S. TAXPAYER DISCONTENT OVERNEW TAX LAW IS MANIFEST
IN UAE. COMMUNITY ORGANIZATION EFFORTS TO ARTICULATE GRIEVANCES
CONTINUE. END SUMMARY.

2. U.S. TAXPAYERS' CRITICISM
OF HEAVIER BURDEN WHICHNEW LAW PLACES ON THEM(REFTEL) HAS MOUNTED IN
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PAGE 02 ABU DH 00706 081200Z

RECENT WEEKS.
AFTER FEBRUARY TAXPAYER ASSISTANCE VISIT BY IRS TAX REPRE-
SENTATIVE FROM TEHRAN AND AS TAX RETURN FILING TIME APPROACHES,
EMBASSY HAS BEEN AGAIN STRUCK BY LOCAL AMERICANS' SENSE OF
FRUSTRATION AND ANGER OVER 1976 TAX BILL WHICH THEY MUST PAY.

3. LOCAL ORGANIZATION "AMERICANS IN ABU DHABI" HAS FORMED

PRESSURE GROUP FOCUSED ON REPEAL OF REVISED TAX LAW SECTION 911. CONGRESSIONAL LETTER WRITING IS MAIN THEME AS SUBSTANTIAL BLUE-COLLAR COMMUNITY HERE (CONSTRUCTION AND OIL FIELD SUPPLY) HAS FOCUSED ON POSSIBLE INCREASED UNEMPLOYMENT IN U.S. IF THEY RETURN HOME. THEY REFER ALSO TO POSSIBLE JOB LOSS IN U.S. OF SUPPORT PERSONNEL FOR OVERSEAS WORKERS, IF OVERSEAS COMPONENT OF WORK FORCE IS CUT. TELEXES IN GROUP'S NAME HAVE BEEN SENT TO THE PRESENT AND GEORGE MEANY. SEVERAL THOUSAND DOLLAR CONTRIBUTION HAS BEEN RAISED AMONG SOME 400 PLUS AMERICAN WAGE EARNERS IN ABU DHABI ALONE AND SENT TO HELP CONGRESSIONAL "EDUCATION" EFFORT ON THIS MATTER. A SIMILAR GROUP IS IN PROCESS OF FORMATION IN DUBAI.

4. PERSONAL HORROR STORIES ABOUND. MEN WHOSE FRINGE BENEFITS AT GULF INFLATED PRICES OUTSTRIP THEIR CASH EARNINGS NOW ARE FACING FACT THAT IF THEY HONESTLY FILE, THEIR TAX BILL WILL BE GREATER THAN THEIR CASH SALARY AND THEY WILL BE FORCED TO BORROW MONEY TO PAY TAX BILL. BELATED REALIZATION ALSO THAT HEFTY TAX EQUALIZATION PAYMENTS (I.E. WHERE COMPANY ASSUMES ADDITIONAL TAX DUE BECAUSE EMPLOYEE IS STATIONED OVERSEAS WHERE TAXABLE "INCOME" IS HIGHER THAN THAT OF COMPARABLE STATESIDE COLLEAGUE) ARE TAXABLE INCOME HAS ALSO FRIGHTENED MANY. FOR EXAMPLE, LOCAL OIL FIELD MANAGER WILL BE LIABLE FOR TAXES ON \$60,000 WORTH OF "INCOME" FROM YEAR-TO-YEAR PYRAMIDING OF TAX EQUALIZATION PROGRAM BY 1980. WHEN COST OF EQUALIZATION PAYMENTS TO COMPANY BECOMES THAT HIGH, AMERICANS FEAR THEIR COMPANIES WILL CUT THEM LOOSE AND THEN, IN ADDITION TO BEING OUT OF JOB, THEY WILL BE LIABLE FOR TAX ON PREVIOUS UNCLASSIFIED

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PAGE 03 ABU DH 00706 081200Z

YEAR'S EQUALIZATION PROGRAM BENEFIT.

5. COMMENT: SOME OF SHOCK IS DUE TO PREVIOUS IMPERFECT UNDERSTANDING OF TAX LAW: (I.E. FRINGE BENEFITS WERE CONSIDERED INCOME PRIOR TO TAX REFORM ACT AND WERE DETERMINED ON BASIS OF LOCAL COSTS). HOWEVER, NEW SECTION 911 WITH LOWER INCOME EXCLUSION PROVISION AND HIGHER TAX RATES ON INCOME ABOVE EXCLUSION HAVE SHARPENED AWARENESS OF LOCAL AMERICANS THAT TAX BITE IS PAINFUL AND IS DRAWING BLOOD. AS A RESULT, A REASSESSMENT BY BOTH AMERICAN COMPANIES OPERATING IN UAE AND THEIR EMPLOYEES IS NOW UNDERWAY. IN LAST THREE MONTHS, CONSERVATIVE ESTIMATE IS THAT ABOUT 10 PERCENT OF SOME 3,800 AMERICANS IN UAE HAVE LEFT OR ARE PLANNING TO LEAVE SHORTLY. DICKMAN

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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
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Disposition Event:
Disposition History: n/a
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